

OFFICE OF THE AUDITOR GENERAL

220.2

DEPARTMENT OF PARKS AND RECREATION
COMPETITIVELY BID CONCESSION CONTRACTS
CALENDAR YEAR 1973

NOVEMBER 1974

Joint Legislative Audit Committee

GOVERNMENT CODE: SECTIONS 10500-10504

California Legislature

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ROOM 4126, STATE CAPITOL
SACRAMENTO, CALIFORNIA 95814
(916) 445-7906

TONY BOLOBNOW, COORDINATOR
(916) 445-7907

EVE OSTOJA, OFFICE MANAGER
(916) 445-7908

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November 13, 1974

The Honorable Speaker of the Assembly
The Honorable President of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members:

Transmitted herewith is the Auditor General's report pertaining to 1973 concession contracts awarded, pursuant to competitive bidding procedures, by the Department of Parks and Recreation.

During 1973, the Department of Parks and Recreation awarded two concession contracts under competitive bidding procedures. These two contracts were for operation of a snack bar and souvenir shop at Hearst San Simeon State Historic Monument, and a charter sports fishing service at William R. Hearst State Beach, both located in San Luis Obispo County. Minimum annual revenues to the state from these two contracts will total \$76,800.

Pursuant to the Public Resources Code, these contracts were audited by the Auditor General, and were found to have been awarded in conformance with state law. The requirement for such annual audit of competitively bid concession contracts by the Auditor General is unnecessary. Such contracts must be additionally reviewed and approved by the Department of Parks and Recreation itself, the Department of General Services, the Attorney General, and periodically, by the Department of Finance.

The Auditor General has concluded that this multiple review procedure adequately protects the state's interest without the necessity of an annual review by his Office. The Legislature could still request him to review such contracts on an as-needed basis.

The Honorable Members of the Legislature
of California
November 13, 1974
Page 2

It is recommended that the Public Resources Code requirement for the Auditor General's annual review of Department of Parks and Recreation competitively bid concession contracts be repealed.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Vincent Thomas", with a stylized, flowing script.

VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
FINDINGS	
Concession contracts awarded pursuant to competitive bids by the Department of Parks and Recreation during 1973 have been awarded in conformance with state law.	2
The requirement for annual audit of competitively bid concession contracts by the Auditor General is unnecessary.	3
COMMENTS OF THE CHIEF DEPUTY DIRECTOR OF THE DEPARTMENT OF PARKS AND RECREATION	5
EXHIBIT 1 - Department of Parks and Recreation Schedule of Competitively Bid Concession Contracts Awarded During 1973	6

INTRODUCTION

Pursuant to the provisions of Section 5019.26 of the Public Resources Code, we have reviewed the concession contracts let by the Department of Parks and Recreation through competitive bidding procedures during 1973.

During 1973, the department entered into, renewed or extended a total of 62 concession contracts. Only two of these 62 contracts were competitively bid. The remaining 60 were either negotiated or were extensions or renewals of existing contracts. This review is of the two competitively bid contracts only.

FINDINGS

CONCESSION CONTRACTS AWARDED
PURSUANT TO COMPETITIVE BIDS
BY THE DEPARTMENT OF PARKS
AND RECREATION DURING 1973
HAVE BEEN AWARDED IN
CONFORMANCE WITH STATE LAW

As required by Section 5019.26 of the Public Resources Code, we have reviewed the two competitively bid concession contracts awarded by the Department of Parks and Recreation during 1973. These two contracts are listed on the attached Exhibit 1.

In our judgment, the department has administered the bidding and awarding of these contracts in accordance with the requirements of Sections 5019.10 through 5019.26 of the Public Resources Code.

THE REQUIREMENT FOR ANNUAL AUDIT
OF COMPETITIVELY BID CONCESSION
CONTRACTS BY THE AUDITOR GENERAL
IS UNNECESSARY

Section 5019.26 requires the Auditor General to ascertain, study and analyze all facts related to competitively bid park concession contracts, and report annually thereon to the Legislature. In our judgment, this provision is unnecessary considering the administrative controls now exercised over the letting of concession contracts.

Sections 5019.10 through 5019.26 make up Article 1.5, Concession Contracts, of the Public Resources Code. The purpose of this article is to protect the state in its contractual relations with park concessionaires. Incentives for the legislation pertaining to audits by the Auditor General, enacted in 1963, were the problems and ensuing financial losses stemming from concession contracts entered into to provide facilities at Squaw Valley for the 1960 Winter Olympics.

The law now specifies certain procedures which the Department of Parks and Recreation must follow when letting concessions contracts either by bid or by negotiation. All contracts that authorized occupancy of the state park system require the review and approval of the Department of General Services. In addition, the law requires that most concession contracts, including those requiring competitive bids, be reviewed and approved by the Attorney General.

Further, these contracts are presently reviewed by several divisions of the Department of Parks and Recreation and periodically by the Department of Finance.

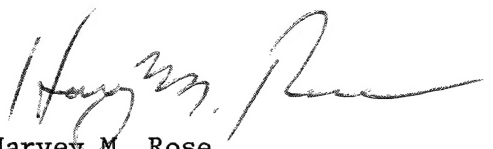
We conclude that this multiple review procedure adequately protects the state's interest without the necessity of an annual review by the Auditor General. The Legislature could still request the Auditor General to review such contracts on an as-needed basis.

RECOMMENDATION

We recommend that the Legislature repeal the requirement for the annual review by the Auditor General of competitively bid concession contracts awarded by the Department of Parks and Recreation, contained in Section 5019.26 of the Public Resources Code.

COMMENTS OF THE CHIEF DEPUTY DIRECTOR
OF THE DEPARTMENT OF PARKS AND RECREATION

We agree that the multiple reviews and administrative procedures in effect adequately protect the state's interest and therefore agree that a mandatory annual review by the Auditor General is unnecessary.



Harvey M. Rose
Auditor General

Date: October 29, 1974

Staff: Glen H. Merritt
Jerry L. Bassett
Wesley E. Voss
Steven L. Schutte

EXHIBIT I

Department of Parks and Recreation
Schedule of Competitively Bid Concession Contracts
Awarded During 1973

<u>Park</u>	<u>Type Of Concession</u>	<u>Concession Contract Awarded To</u>	<u>Rental Rate</u>	<u>Term Of Contract</u>	<u>Estimated Capital Improvements To Be Made By Concessionaire</u>
Hearst San Simeon State Historic Monument - San Luis Obispo County	Snack bar and souvenir shop	Ogden Food Service Corporation	34% of gross receipts up to \$250,000 plus 37% of gross receipts between \$250,000 and \$400,000 plus 40% of any gross receipts over \$400,000, \$72,000 per year minimum	3 yrs.	\$18,000 ²
William R. Hearst State Beach - San Luis Obispo County ¹	Charter sports fishing service	Lawrence Virgil Moore	9% of the first \$100,000 plus 12% of any gross receipts over \$100,000; \$4,800 per year minimum	5 yrs.	-0-

¹The Department of Parks and Recreation and the Department of Finance did not jointly notify the Legislature of this proposed concession contract as required in Section 28.6 of the Budget Act of 1973. The Department of Parks and Recreation's Concession Division advised that they were not aware of the changed requirements in the Budget Act and that most of the work on this concession project was done prior to the passage of the Budget Act. We did not identify any adverse consequences as a result. The department has complied in subsequent contracts.

²Expenditures to be deducted from rental payments.